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SUBJECT: TURKEY: GAZIANTEP AS LIKELY TERROR FINANCE CENTER

CORRECTED COPY: SUBJECT LINE CHANGE LIKLEY TO LIKELY

¶1. (SBU) Summary: Legitimate businesses in Gaziantep are used to launder money obtained through drug and fuel smuggling taking place in Turkey's southeast. Gaziantep's role as a logistics and finance center for PKK activities serves to protect the city itself from becoming host to, or victim of, terror-related activities. End summary.

¶2. (SBU) The editor of Gaziantep's local Sabah newspaper Nurgun Balcioglu told us that while many local textile factories are downsizing or closing down completely, nearly 80 percent of Gaziantep's industrial zone is composed of unregistered businesses, wherein legal commercial enterprises are used to launder money obtained from illegal business activity. Balcioglu told us that Gaziantep's former mayor Celal Dogan, who served for 11 consecutive years from 1989 to 1999, encouraged businesses from provinces like Batman and Sirnak in eastern Turkey to invest in Gaziantep. These businesses used capital acquired from drug trafficking (from Iran and Afghanistan), or oil smuggled (from Iraq), to purchase existing capital assets or to build new factories in Gaziantep. Balcioglu said that some of these business owners came to Gaziantep because they were afraid of the PKK, while some were directly related to the PKK. Gaziantep is a logistics and finance center for PKK activity in the southeast, and, for this reason, is rarely bothered by terror-related activities, said Balcioglu.

¶3. (SBU) Related to Balcioglu's remarks about unofficial economic activities among Gaziantep's textile industries, the media reported on April 6 that in a raid on the Birlik Tekstil yarn factory located in Gaziantep's third industrial zone, jandarma security forces seized 50 million Captagon tablets illegally produced at the factory. The factory owners were heavily in debt to the banks since the yarn business was not going well, according to the media.

¶4. (SBU) Sabah owner Aykut Tuzcu told us that large amounts of fuel refined from Iraqi oil in Turkish refineries and destined to be trucked back to Iraq, gets "redirected" during transfer to its intended destination. He told us that customers at some local gas stations can bargain the price down for such "cheap gas," which has the same quality as that sold in more reputable stations. At the same time, Tuzcu said, Gaziantep has three unregistered oil refineries producing low grade petroleum

products such as asphalt. Tuzcu said that the crude oil refined in these less-sophisticated refineries is, again, "redirected" from tanker ships in Iskenderun and Mersin ports carrying Iraqi-origin crude oil.

15. (SBU) Comment: We had originally asked Tuzcu to help us set-up meetings with his contacts in local doviz exchange bureaus and financial firms to discuss Gaziantep's role in money laundering and unofficial economic activity. Unfortunately, none of Tuzcu's contacts were willing to meet with us. We will continue to watch with interest Gaziantep's role as a likely terror finance center. End comment.

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